

**Legislative Finance Committee: IT Project Portfolio
Supplemental Report**

A. General Project Information

1. Agency: DPHHS
2. Project Title: Medicaid Management Information System (MMIS)
3. Date Prepared: 8/31/2015
4. Prepared By: Tim Peterson

B. Project Status

1. Overall Health: Red
2. Brief description of current project status

DPHHS rates the overall project health as "Red". Xerox continues to experience challenges executing the July 18, 2014 approved project schedule resulting in slipped tasks and past due deliverables. On November 26, 2014, DPHHS issued a notice of required corrective action to Xerox that identified seven performance categories that require improvement. On February 10, 2015, DPHHS approved the Xerox Corrective Action Plan (CAP) to improve the seven categories. CAP + 30 days items: A. Documentation, F. Project Management Metrics Portal, G. Project Staffing all due March 12; CAP + 60 days items: B. Design Session Preparation, C. Design Session Execution, E. Project Schedule Management all due April 11, 2015; and CAP + 90 days item: D. Deliverable Quality due May 11, 2015.

DPHHS began evaluating the CAP + 30 measures on March 13, 2015. Xerox failed to deliver the Health Enterprise Platform documentation to DPHHS on March 13, 2015, as required by CAP Item A, due to corruption issues related to the documentation environment. The documentation was not available for DPHHS review; therefore DPHHS issued a Notice of Material Breach to Xerox for CAP Item A on March 18, 2015. Xerox made the documentation available to DPHHS for review on March 24, 2015. DPHHS conducted an audit of a 10% sample of the documentation. Based on deficiencies discovered in that review, DPHHS notified Xerox on April 8, 2015 that the March 24, 2015 documentation delivery had not cured the material breach. Xerox delivered the updated Health Enterprise Platform Documentation and Health Enterprise Platform Environment 90 on April 17, 2015. DPHHS began their second audit of a 10% sample of the Xerox platform documentation for evaluation of CAP Item A on April 20, 2015. DPHHS completed the second audit on May 31, 2015 and notified Xerox that 64 of the 79 (81%) use cases sampled failed. Effective March 13, 2015, DPHHS began assessing liquidated damages for Xerox's failure to resolve deficiencies associated with CAP Item A. As of August 21, 2015, DPHHS has submitted \$141,000 in liquidated damages invoices for CAP Item A to Xerox. DPHHS has received \$110,000 in liquidated damage payments for CAP Item A. DPHHS expects Xerox to redeliver corrected documentation to DPHHS in early September 2015. Once the corrected documentation is received, DPHHS will conduct another review of the Health Enterprise Platform documentation. DPHHS will continue to assess and collect liquidated damages for CAP Item A until this material breach is cured.

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Preliminary review and subsequent reviews indicate that both CAP Items F and G are acceptable.

DPHHS began evaluating the CAP + 60 measures on April 13, 2015. On May 13, 2015, DPHHS completed the review of CAP items B, C, and E and determined that Xerox had failed to successfully deliver each CAP Item. On May 15, 2015, DPHHS issued an additional Notice of Material Breach to Xerox for CAP Item B, CAP Item C, and CAP item E.

Effective April 12, 2015, DPHHS began assessing liquidated damages for Xerox's failure to resolve deficiencies associated with CAP Items B & C. As of August 21, 2015, DPHHS has submitted \$222,000 in liquidated damages invoices for CAP Items B & C to Xerox. DPHHS has received \$160,000 in liquidated damage payments for CAP Items B & C. In July 2015, DPHHS completed a re-review of CAP Items B & C. Based on that review, DPHHS determined that Xerox was no longer in material breach for CAP Items B & C. On August 7, 2015, DPHHS notified Xerox that as of July 31, 2015 (the end of Sprint 19) they had satisfied the CAP requirements for CAP Items B & C and that DPHHS would discontinue the assessing liquidated damages for CAP Items B & C.

Effective April 12, 2015, DPHHS began assessing liquidated damages for Xerox's failure to resolve deficiencies associated with CAP Item E. As of August 21, 2015, DPHHS has submitted \$111,000 in liquidated damages invoices for CAP Item E to Xerox. DPHHS has received \$80,000 in liquidated damage payments for CAP Item E. DPHHS and Xerox continue to have ongoing discussions regarding the Xerox approach to resolving the CAP Item E problems. DPHHS will continue to assess and collect liquidated damages for CAP Item E until this material breach is cured.

DPHHS began evaluating CAP Item D (CAP + 90) measures starting May 12, 2015. Since May 12, 2015, Xerox has submitted 12 interim deliverables and 4 deliverables for DPHHS review. None of these deliverables have passed the CAP Item D evaluation criteria. The 16 Deliverables (interim deliverables and deliverables) are either pending design session review (5), under review by DPHHS (4), or have been returned to Xerox for revisions (7), and DPHHS is unable to complete the CAP Item D review criteria until the deliverables are resubmitted. DPHHS will continue to review the deliverable quality and we expect to have an assessment of the CAP Item D Deliverable Quality by the end of September.

The current Schedule Performance Index (SPI) is .528 and there are 4,297 project work plan tasks that have missed a baseline date. Since July 18, 2014, only 7% (23/331) of the interim deliverables and deliverables (deliverables) have been completed, 83% (276/331) of the deliverables are past due, 4% (12/331) are currently under review by DPHHS, 5% (18/331) have been returned to Xerox with comments, and 1% have been rejected. Of deliverables scheduled to be delivered over the next 90 days, 60% (57/95) are projected by Xerox to be late.

Xerox has not been paid any money related to the contract payment milestones for the MMIS DDI project. The first payment milestone scheduled for November 16, 2015 is the Benefit Plan Administration Iteration Acceptance Payment Milestone which DPHHS has determined is at risk of

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not being delivered per the approved work plan. DPHHS expects the overall project status to remain “Red” for an extended period of time. This status is not expected to change until Xerox successfully executes the approved corrective action plan resulting in a reduction of past due deliverables and slipped tasks and a dramatic improvement in the SPI. Public Knowledge, the MMIS DDI Independent Verification and Validation (IV&V) vendor contracted by DPHHS, has reported the Xerox MMIS DDI project performance status as “Red” in the most recent monthly independent status report dated August 27, 2015. Xerox is also currently reporting the project status as “Red”. In June 2015, the DPHHS Project Manager determined that Xerox would not meet the May 30, 2017 full system implementation date based on the following factors: high number of past due deliverables, high number of slipped tasks, lack of design and development progress, and the Xerox failure to successfully meet required dates for Corrective Action Plan items A, B, C, and E.

3. Major milestones completed so far: None
4. Next milestone(s):
Benefit Plan Administration Iteration Acceptance Payment Milestone scheduled for November 16, 2015

C. Scope Changes

| Title and Brief Description | Date Approved | Schedule Impact (weeks) | Budget Impact (\$ amount) |
|-----------------------------|---------------|-------------------------|---------------------------|
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D. Issues and Risks

| Title and Brief Description | Date Identified | Planned Resolution | Responsible for Resolution |
|-----------------------------|-----------------|--------------------|----------------------------|
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E. Additional Comments

DPHHS internal project reporting rates the Scope as “Yellow”. At this time DPHHS does not believe that there are any significant scope issues affecting the project. There are currently 27 gaps where DPHHS and Xerox are not in agreement regarding scope. There are 331 past due action items that could result in gaps that are determined by Xerox to be out-of-scope. DPHHS will continue to rate scope as “yellow” until the number of past due action items drops below 50.

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DPHHS internal project reporting rates the Schedule as “Red”. Xerox continues to experience challenges executing the approved project schedule, resulting in slipped tasks and past due deliverables. This has resulted in missed interim deliverables and deliverables. The latest Xerox calculated Schedule Performance Index (SPI) is currently .528 (SPI that is less than .940 is “Red”). The current SPI is consistent with the lack of design progress reported by Xerox, the 4,297 slipped project tasks, and the 276 past due deliverables and interim deliverables. Xerox’s SPI and other key performance indicators indicate that Xerox will not successfully meet the May 30, 2017 full system implementation date.

DPHHS rates the Budget as “Green” based on the reporting criteria. Both the initial estimated cost and current estimated costs reflect the fully loaded costs of the project. Xerox has not been paid any money related to the payment milestones for the MMIS DDI project. The MMIS DDI contract established payment milestones requiring Xerox to deliver working software configured to Montana’s business requirements that can be demonstrated to our business users for their approval. The only expenditures to date are for DPHHS related expenses including DPHHS Business Analysts, DPHHS Subject Matter Experts, Contract Project Manager, Independent Verification and Validation contractor, rent, operational expenses, and indirect expenditures. All of these expenditures were planned and are customary for this type of project. These expenditures are required by CMS to support the execution of the project.

DPHHS internal project reporting rates Risk as “Yellow”. There are two project risks with a Risk Rank of 5 and 4. Both of these risks have a risk mitigation plan. Xerox will need an approved contingency plan for each of these risks. The remaining project risk has a risk rank of 8 and has the required risk mitigation plan. DPHHS has reviewed these risk mitigation plans and has provided feedback to Xerox to improve the approach to managing these risks.